

Naval Audit Service — An Acquisition Reform Update

The Auditor General of the Navy Recounts Efforts to Reengineer the Acquisition Auditing Process

RICHARD L. SHAFFER

Studies made to reform the Department of Defense (DoD) acquisition process have criticized the way DoD internal audit and inspection organizations evaluate acquisition programs and processes. Common criticisms are that:

- too many audit/inspection organizations oversee acquisition programs and processes;
- audit/inspection efforts could be better planned and coordinated;
- auditors/inspectors are inflexible and compliance-oriented;
- auditors/inspectors need program office experience and additional acquisition training; and
- audits/inspections disrupt program office operations.

In response to those criticisms, and through separate total quality initiatives, the DoD internal audit and inspection community as a whole, have begun reengineering processes for planning and conducting acquisition audits and inspections. This article focuses on changes impacting on Naval Audit Service operations presently and in the near future.

Naval Audit Service Initiatives

We “right-sized” our level of effort and revised our auditing strategy in the acquisition area, increased our client focus and responsiveness, and expanded our inventory of products

and services to meet client needs. We have also begun assigning auditors to Program Executive Offices (PEO) to facilitate our effectiveness while overcoming acquisition managers’ concerns that auditors need program office experience.

Right-sized Level of Effort and Revised Auditing Strategy

In June 1994, the Naval Audit Service began to right-size its level of effort in the acquisition arena. We revised our strategy to focus on high-risk acquisition areas and programs not already receiving sufficient audit coverage from other sources. Our revised strategy addresses the relative need for audit coverage of programs within each Acquisition Category (ACAT).

Beginning this fiscal year, we no longer schedule audits of ACAT I programs. Our analysis convinced us that sufficient coverage from the General Accounting Office (GAO) and the Department of Defense Inspector General (DODIG) was already being applied. We do address special-interest items on ACAT I programs, if requested by a key Navy client. For example, we are reviewing several contracting issues on one acquisition program at the request of the responsible PEO. We have retained the option to audit ACAT II programs if Navy clients desire specific audit services.

For ACAT III and IV programs, we serve as the internal control agent for the Assistant Secretary of the Navy (Research, Development, and Acquisi-

tion) [ASN(RD&A)]. Our level of effort is consistent with the number of, management interest in, and level of oversight being provided to such programs. Our audits of ACAT III and IV programs evaluate overall program management, data supporting milestone decisions, and acquisition process controls. We are limiting our annual level of effort in the overall acquisition arena to no more than 40 work years. This is significantly below previous resource levels. Direct involvement and support from the acquisition management side of the equation is anticipated as the key ingredient for maintaining a high level of effectiveness while expending less energy. I view the change in the process to tie directly to the integrated acquisition process team concept being espoused by the acquisition communities.

Increased Client Focus and Responsiveness

We identified several strategies to increase our focus on and responsiveness to our clients:

Single Face to Management. To increase interaction with and the involvement of key Navy acquisition managers in audit selection, planning, and execution, we established audit liaisons for specific Navy and Marine Corps communities and functions. These liaisons, including the liaison for the Navy acquisition community, serve as our single face to key senior managers in the Navy Secretariat and in the offices of the Chief of Naval Opera-

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tions and Commandant of the Marine Corps. The liaisons meet frequently with these managers to provide general updates on planned and ongoing audits, exchange views on identified problems, and identify areas of management interest. They also oversee all Naval audits conducted in their assigned areas. We have found that this type of client-focused auditing reduces friction while bringing continuity and a broader perspective to associated Naval Audit Service efforts.

Interim Briefings and Reports. Our Directors of Production (DP), the managers of our individual audits, are also more client-focused. The DPs provide frequent detailed audit briefings, discussion papers, and interim progress/quick-reaction reports to keep Navy and Marine Corps managers abreast of audit progress and facilitate prompt corrective action. Through this process, we obtain the client feedback needed to continuously improve our services, products, and processes.

Variety of Products and Services. We have expanded our products and services to be more flexible and responsive to client needs. In addition to audits, we perform capacity evaluations and provide technical assistance to clients. Capacity evaluations are performed in response to client requests. They quickly provide solutions to known or perceived problems, and the client determines report distribution. Technical assistance, also performed in response to management requests, manifests itself in a variety of ways. For example, we provide auditors to serve on Navy Process Action/Integrated Process Teams that address a variety of subjects.

Assignment of Auditors to Program Executive Offices. We began assigning auditors to PEOs in a 1995 pilot effort to react to severe resource reductions and to acquisition managers' concerns that we need acquisition program office experience to be effective at auditing their programs. In the pilot effort, the auditor serves as the PEO's



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liaison for all GAO, DODIG, and Naval Audit Service audits and participates in oversight of the PEO's acquisition programs. The auditor attends all acquisition strategy sessions, planning meetings, and executive board reviews of PEO programs, and advises the PEO on potential program weaknesses. The Naval Audit Service Audit Liaison for Acquisition ensures the auditor's independence through a direct supervisory and reporting relationship.

The ASN(RD&A) and the Auditor General of the Navy recently agreed that expanding this initiative would benefit both the Department of the Navy and the Naval Audit Service. Accordingly, we are providing full-time

auditors to additional Navy PEOs on two-year rotational assignments. We believe the PEOs will benefit from having auditors on their staffs to provide advice and counsel on the management of assigned acquisition programs; and serve as liaisons between the PEOs and other auditors from the GAO, DODIG, and the Naval Audit Service.

In their liaison roles, the auditors will attempt to: minimize duplication of audit effort; and facilitate providing access and requested information to external auditors in a manner that minimizes disruption to program office operations. As auditors, we should benefit from the training and experience and the enhanced credibility that will result from working in the program office environment. Additionally, the PEO assignments should provide the audit and acquisition communities an opportunity to dismantle barriers and build more productive relationships.

DoD Audit/Inspection Community Initiatives

We have further reengineered our acquisition auditing process through efforts initiated by the overall DoD internal audit community, which is made up of the DODIG, Naval Audit Service, Army Audit Agency, and the Air Force Audit Agency.

Joint Planning. In June 1993, the DODIG and the Military Department Audit Chiefs chartered 10 joint planning groups for important issue areas, including one on Acquisition Program and Contractor Oversight, to jointly research, plan, and prioritize proposed audit and inspection coverage. The joint planning groups facilitate better coordination and cooperation, set priorities, balance audit coverage, and ensure that audits and inspections complement rather than duplicate each other. The Naval Audit Service actively participates in these planning groups.

The Acquisition Program and Contractor Oversight planning group meets

RICHARD LYLE SHAFFER

Auditor General of the Navy

Richard Lyle Shaffer, a native of Fairmont, West Virginia, received his undergraduate degree from Fairmont State College. He later received his Masters Degree in Public Administration and Financial Management from George Washington University.

His career has varied from teaching in the Maryland Public School System, to working in a major bank in Washington, D.C., to holding various financial management positions within the Defense establishment. He served in the United States Army during the Vietnam conflict. After being honorably discharged from active duty with the rank of First Lieutenant, he served in the United States Army Reserve.

During his tenure with the Department of the Navy, Shaffer has functioned as the lead budget analyst in several program areas, including stock funds, military personnel accounts, and the operations area. Prior to serving as Deputy Director of the Operations Division within OP-92, he was employed by the Defense Intelligence Agency as the Head of their Office of Program Appraisal. He became a charter member of the Senior Executive Service in 1979 while functioning as the Director of the Management Policy/Budget Policy and Procedures Division within the Office of Budget and Reports (NCB). On January 6, 1986, the Under Secretary of the Navy directed that he assume the duties of Auditor General of the Navy.

Shaffer is married to the former Shirley Mikez of Worthington, West Virginia. They have a son, Christopher, who is a graduate of William and Mary College and currently employed as a chemist with Whitehall-Robins in Richmond, Virginia.



[USD(A&T)]; Vice Adm. Bowes, Principal Deputy ASN(RD&A); Dr. Oscar, Assistant Secretary of the Army (RD&A), Procurement; Col. Sovey, Deputy Assistant Secretary of the Air Force (Acquisition), Management Policy and Program Integration; and Mr. Scott, Associate Director for Acquisition (Program Integration), Defense Contract Management Command.

One of the planning group's significant accomplishments was convincing GAO and the Military Departments' Inspectors General to become active participants in the group's efforts. Having all responsible audit/inspection organizations in the group will greatly facilitate audit planning and coordination and reduce overlap.

Acquisition Reform Initiatives. In April 1995, the USD(A&T) implemented the acquisition reform recommendations of the OSD Process Action Team (PAT) on Reengineering the Acquisition Oversight and Review Process. With regard to the audit process, the USD(A&T) tasked the DODIG, in conjunction with DoD component audit and inspection organizations with:

- enhancing the qualifications of acquisition management auditors and inspectors;
- centrally scheduling acquisition audits and inspections in coordination with the acquisition community; and
- studying the feasibility of consolidating all acquisition management audits and inspections at the OSD level.

We and the other Military Department audit and inspection organizations worked with the DODIG to resolve each of these issues.

Acquisition Auditor Training and Certification. The Naval Audit Service has been sending auditors to DoD acquisition courses for many years. For example, we have sent two auditors per year to the Program Management Course at the Defense Acquisi-

quarterly to review audit and inspection plans; coordinate ongoing, planned, and emerging projects; and address emerging acquisition and auditing issues. The group also publishes an annual Joint Audit Plan.

One significant goal of this group is to ensure audit and inspection coverage is balanced and not targeted to any particular acquisition program management office or function. Another goal is to obtain greater participation

from the acquisition community in the audit and inspection planning process. At the group's February 1996 meeting, key members of the Office of the Secretary of Defense (OSD) and Military Department acquisition communities participated in a panel discussion addressing the acquisition auditing and inspection process. The participants included Mr. Blickstein, Director, Acquisition Program Integration, Office of the Under Secretary of Defense (Acquisition and Technology)

tion University since the early 1980s. Additionally, in 1995, the Joint Planning Group on Acquisition Program and Contractor Oversight developed an Acquisition Auditor Career Development and Certification program in response to the USD(A&T) directives on acquisition reform. The PAT developed a three-level certification program modeled after the program established for the Defense Acquisition Workforce. The Audit Chiefs approved the implementation plan on February 2, 1996, and the program will soon be operating throughout the DoD audit community.

Centralized Database of Acquisition Audits/Inspections. In July 1995, the Joint Planning Group on Acquisition Program and Contractor Oversight formed another PAT to develop a consolidated database of acquisition audits and inspections within DoD. The completed database provides a consolidated source of data for use in planning acquisition audits and inspections and identifies such things as the responsible audit or inspection organization; project titles, objectives, and milestone dates; the specific acquisition programs and organizations visited; and points of contact for further information. The database is currently

available to the DoD audit and inspection communities and to GAO. The planning group is now exploring ways of making the information readily available to acquisition managers.

The database will be used to ensure that high-priority acquisition issues receive appropriate and balanced coverage; audit/inspection resources are used effectively; and the burden on program management offices is minimized. The database will also facilitate interaction with acquisition managers about ongoing audits and inspections and, hopefully, foster management participation in audit planning.

Presently, the central database resides on the DODIG local area network. In the future, however, the database will be incorporated into the Defense Audit Management Information System (DAMIS), being jointly developed by members of the DoD audit community. A representative of the Naval Audit Service is leading the DAMIS effort.

Consolidation of Audits/Inspections at the OSD Level. The DODIG and the Military Department audit and inspection organizations formed a third PAT in 1995 in response to the USD(A&T) directive to study the

advisability of consolidation. The PAT concluded that consolidation was not advisable because ongoing initiatives to improve the DoD audit community's acquisition auditing/inspection processes are addressing concerns raised by the OSD Reengineering PAT. Nevertheless, DODIG is evaluating additional alternatives for improving the audit process.

As part of the PAT effort, each Military Department audit and inspection organization interviewed PEOs and program managers. During these interviews, Navy PEOs and program managers recommended a number of improvements to the acquisition auditing process. Our DPs have already begun implementing the recommendations.

Summary

We are working jointly with Navy acquisition managers and within the DoD internal audit community to reform our acquisition auditing process. We believe that many of the initiatives already implemented address the real and perceived concerns of the Defense acquisition community. Nevertheless, we are continuing to look for ways to improve our processes and service to our clients.

DSMC NAMES ENLISTED PERSON OF THE YEAR

On February 14, 1996, in a ceremony conducted in Howell Auditorium at DSMC's main Fort Belvoir campus, the College named Staff Sgt. David Stone, USAF, its Enlisted Person of the Year. "Stoney" was chosen from among five nominees out of 18 possible DSMC junior enlisted personnel. Besides the Joint Service Commendation Medal, Stoney received a \$200 savings bond and \$100 gift certificate to the Post Exchange; a 92-hour pass; and a reserved parking space. Also presenting Stoney with a plaque and coin in recognition of his active involvement in the Fairfax



County Chapter of the Noncommissioned Officers Association was Matthew H. Dailey. During his DSMC tenure, Stoney also garnered an award as the Distinguished Graduate, Airman Leadership School, Bolling Air Force Base, D.C. Recently notified of a pending reassignment to Kirtland Air Force Base, N.M., with a reporting date of April 1996, Stoney will be sorely missed around the DSMC campus. Good Luck... and one last

"Hoorah!" for a fine airman and friend. From left: Staff Sgt. David Stone, USAF; Matthew H. Dailey, Noncommissioned Officers Association.